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RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
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C O N F I D E N T I A L JERUSALEM 002471

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NEA FOR FRONT OFFICE; NEA/IPA FOR
WILLIAMS/GREENE/WATERS/WAECHTER; NSC FOR
ABRAMS/DORAN/LOGERFO; TREASURY FOR NUGENT/ADKINS

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TAGS: [EFIN](#) [PREL](#) [KTFN](#) [KWBG](#)
SUBJECT: PALESTINIAN BANKS CEASE TRANSACTIONS WITH THE PA
AND FTO-RELATED LEGISLATORS

REF: A. JERUSALEM 2245
[1](#)B. GMP20060612748003 1517 GMT 11 JUN 06

Classified By: Consul General Jake Waller, Reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: Palestinian Monetary Authority (PMA) Governor Abed stressed recently that local banks are not transacting with the Palestinian Authority (PA) government, in observance of the Treasury Department Office of Foreign Asset Control regulations. He noted that they are not accepting international transfers on behalf of the PA; not paying PA salaries from their own funds; refusing bulk cash deposits without proof of credible origin; and closing personal bank accounts held by FTO-affiliated Palestinian Legislative Council (PLC) members. The IMF ResRep confirmed that local banks were not even "talking" to the PA ministries so the Finance Ministry does not have updated information on its commercial bank accounts. Abed termed the banks' actions "heroic" but noted that the stress could cause some foreign-headquartered banks to give up and leave. End summary.

Banks are following OFAC regs

[1](#)2. (C) PMA Governor George Abed told EconOffs and USAID Deputy Director June 8 that the PMA had circulated to commercial banks the Treasury Department's OFAC regulations on transactions with the PA. He noted that the banks' resolve to follow the spirit of the regulations, though they are not "U.S. persons," had been stiffened early on when their European correspondent banks warned of possible negative consequences should they accept transfers on behalf of the PA. He told EconChief June 13 that the PMA was encouraging the banks to meet the strict requirements of the OFAC regulations and had told the banks that it is their responsibility if a problem develops from their lack of adherence to the OFAC regulations.

Banks not transacting with PA

[1](#)3. (C) Abed stressed that local commercial banks are under intense pressure by the PA to pay salaries, even from banks' own funds, in fulfillment of PM Haniyah's salary payment plan (ref A). With the exception of the Bank of Palestine (BoP) -- which claims to have used PA domestic revenues accumulated in a PA account held at the BoP -- the other banks have held firm in neither accepting PA transfers nor paying salaries, according to Abed. Abed said he told local banks that they

would be "getting close to the line" of transacting with the PA if they complied with Haniyah's salary payment plan. IMF Resident Representative Joel Toujas told EconChief June 9 that local commercial banks are no longer even "talking" to PA ministries, so the Finance Ministry could not confirm the level of domestic revenue collected by banks on its behalf.

Not accepting bulk cash deposits

¶4. (C) Abed also noted that all of the banks had agreed not to accept large bulk cash deposits, such as the sums valued in the hundred of thousands of dollars and millions of euros reportedly brought through the Rafah crossing by Hamas officials in May and June. (Note: Abed is still gathering the details of these events but said he would share his findings with EconChief. End note.) He noted that one bank branch in Gaza, not the Bank of Palestine, had originally accepted such a deposit and then had reversed its decision. Banks would now only accept bulk cash deposits if the customer is known to them and the funds could be traced to a legitimate commercial transaction.

Closing down personal accounts of
Hamas legislators

¶5. (C) Abed confirmed to EconChief June 13 that local banks are also closing down the accounts of those Palestinian Legislation Council (PLC) members who were elected on the party slate of a foreign terrorist organization, per OFAC General License 4(b). He confirmed that Cairo-Amman Bank had asked Hamas PLC member and PA Housing and Public Works Minister 'Abd al-Rahman Zaydan to draw down to a zero balance his Cairo-Amman Bank account (which only had several thousand

dollars equivalent in it) and had refused to accept any deposits or transfers to his account. Abed further confirmed that all of the banks operating in the West Bank and Gaza are taking these steps, given their anti-money laundering/countering terrorist financing (AML/CTF) concerns. Abed said that Arab Bank had closed down 17 such accounts of PLC members.

PMA: Banks acting heroically

¶6. (C) Abed praised the commercial banks' adherence to international banking standards and best practices and their refusal to accept transfers or pay salaries on the PA's behalf. Abed offered different examples of the current PA government's campaign to pillory the banks and blame them for the economic crisis. Under exceptionally difficult circumstances, he said, the banks have "acted heroically" in continuing to maintain the international standards expected of them. However, he did note that some banks, especially those headquartered overseas, "may just give up and close." Palestinian bankers had told USAIDOffs and EconOffs June 7 that they are feeling the negative press attention, given the PA government's criticism that the banks are part of the "siege" on the Palestinian government and people.

WALLES